

## Message Text

CONFIDENTIAL

PAGE 01 BANGKO 03327 271220Z

53

ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 ( ISO ) W

----- 082933

R 271140Z FEB 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1112

INFO AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

C O N F I D E N T I A L BANGKOK 3327

E.O. 11652: GDS

TAGS: EAGR, EFIN, RP, TW, TH, KS

SUBJECT: COTTON CONTRACTS

1. SUMMARY: EMBASSY HAS LEARNED TWO THAI FIRMS DELINQUENT ON PREVIOUS COTTON CONTRACTS HAVE BEEN BUYING U.S. COTTON AT CURRENT PRICES. WE HAVE URGED MINISTRY OF COMMERCE TO INITIATE IMPORT LICENSING SYSTEM FOR COTTON BUT OFFICIALS RELUCTANT TAKE ANY ACTION DURING POLITICAL TRANSITION PERIOD. FURTHER, THAI COTTON IMPORTERS ARE BRINGING TO ATTENTION OF EMBASSY PROBLEMS CREATED BY U.S. COTTON SHIPPERS.

2. TEXTILE COMPANY OFFICIALS AND COTTON SHIPPERS REPRESENTATIVES HAVE INFORMED AGRICULTURAL ATTACHE SOME THAI COMPANIES DELINQUENT IN OPENING LETTERS OF CREDIT UNDER EXISTING CONTRACTS HAVE BEEN SUCCESSFULLY BUYING U.S. COTTON. TWO COMPANIES K. COTTON AND GAUZE AND THAI DURABLE HAVE PURCHASED 10,000 BALES OF U.S. COTTON AT ESTIMATED 44 CENTS PER POUND CIF.

3. INFORMANTS CONTEND ONE OR MORE U.S. COTTON SHIPPERS HAVE SET UP DUMMY COMPANIES SELL COTTON TO THAILAND. THE  
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PAGE 02 BANGKO 03327 271220Z

NEW U.S. COMPANIES ARE REPRESENTED BY MR. HERBERT CHANG,

WHO IS ALSO THE AGENT FOR NUMBER U.S. COTTON SHIPPERS.  
MR. CHANG IS ALSO ON BOARD OF DIRECTORS THAI INDUSTRIES  
COTTON MILL AND WE ANTICIPATE THIS MILL WILL ALSO BEGIN  
PURCHASE LOWER PRICED COTTON.

4. EFFORTS OF EMBASSY AND MINISTRY OF COMMERCE ARE UNDER-  
CUT IF U.S. COTTON SHIPPERS ARE MORE INTERESTED IN MOVING  
COTTON THAN IN SETTLING PRESENT DELINQUENCY PROBLEMS. UNLESS  
COTTON SHIPPERS ASSOCIATION CAN CONTROL THEIR MEMBERS ANY  
VESTIGE LEVERAGE INDUCE DELINQUENT MILLS HONOR  
OUTSTANDING L/CS WILL BE VITIATED.

5. WE HAVE ASKED SUTHEE, DIRECTOR GENERAL, FOREIGN TRADE  
DEPARTMENT, MINISTRY OF COMMERCE, CONSIDER A TEMPORARY  
IMPORT LICENSING SYSTEM FOR COTTON. WE PROPOSED THAT THAI  
FIRMS SHOULD BE REQUIRED TO IMPORT AGAINST EXISTING CONTRACTS  
BEFORE THEY RECEIVE AN IMPORT LICENSE FOR COTTON PURCHASED  
UNDER NEW CONTRACTS. STILL ACTING MINISTER OF COMMERCE  
VICHARN PREFERS NOT TO MAKE THIS TYPE OF DRASTIC POLICY  
CHANGE FROM COMPLETELY FREE IMPORT SYSTEM AND SUTHEE SUG-  
GESTS EMBASSY DISCUSS PROBLEM WITH NEW MINISTER DAMRONG WHEN  
HE ASSUMES HIS RESPONSIBILITIES.

6. SEVERAL OTHER ITEMS OF INTEREST THAT DIRECTLY AFFECT  
COTTON IMPORTS HAVE BEEN CALLED TO OUR ATTENTION.

A) THE THAI SYNTHETIC TEXTILE INDUSTRY CO., LTD.  
HAS REFUSED TO OPEN AN L/C FOR 3,000 BALES OF U.S. RAW  
COTTON CONTRACTED WITH TOYOMENKA ALLEGING TOYOMENKA  
FAILED OPEN L/CS FOR YARN AND FABRICS UNDER CONTRACTS  
SIGNED WITH TSI.

B) SRI SUK SAWAD CO., LTD. OPENED L/CS IN FAVOR OF  
PLAINS COTTON UNDER CONTRACTS NUMBERED 476 AND 477. TERMS  
OF CONTRACT WERE FOR SHIPMENT IN FEBRUARY-APRIL 1974 OF  
4,500 BALES PRICED AT 44 AND 58 CENTS PER POUND. AT REQUEST  
OF PLAINS COTTON THE L/CS WERE EXTENDED THROUGH MAY 1974, BUT  
PLAINS COTTON SHIPPED ONLY 95 BALES OF THE 4,500 BALES  
CONTRACTED BY END OF MAY. SRI SUK SAWAD WAS FORCED TO  
PURCHASE COTTON AT 61 CENTS PER POUND FROM ANOTHER SHIPPER  
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PAGE 03 BANGKO 03327 271220Z

TO REPLACE THE COTTON NOT DELIVERED BY PLAINS COTTON. SRI  
SUK SAWAD STATES THEY HAVE BEEN BLACKLISTED BY PLAINS  
COTTON AND ARE UNABLE BUY U.S. COTTON. THEY CONTEND THAT IT  
WAS PLAINS COTTON THAT FAILED TO MEET ITS OBLIGATION, NOT  
THEIR COMPANY.

7. WE HAVE NOT RECEIVED COTTON SHIPPERS STATISTICS REPORT-  
EDLY MAILED FEBRUARY 13. ESSENTIAL WE HAVE CURRENT

INFORMATION ON COTTON CONTRACT DELINQUENCIES ASSURE CONTINUED COOPERATION MINISTRY OF COMMERCE.

8. DAVID LYMAN LOCAL ATTORNEY WHO IS NOW REPRESENTING MOST OF THE U.S. COTTON SHIPPERS INFORMS US HE IS NOW PROCEEDING WITH LEGAL ACTION BASED ON LIVERPOOL COTTON ASSOCIATION ARBITRATION AWARDS. HE ASSUMES CASES WILL TAKE SOME TIME IN LOCAL COURTS BUT IS HOPEFUL OF SATISFACTORY EVENTUAL SETTLEMENT BASED ON JUDICIAL PROCESS.

9. EMBASSY RECOMMENDS DEPT. DISCUSS PROBLEM NEW COTTON SALES TO DELINQUENT THAI MILLS WITH COTTON SHIPPERS ASSOCIATION IN ORDER TO CONFIRM THESE TRANSACTIONS ARE IN FACT TAKING PLACE. WE WILL RAISE DESIRABILITY OF LICENSING ARRANGEMENTS WITH NEW MINISTER AFTER FORMAL INSTALLATION OF CABINET.  
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